BILL # HB 2458

TITLE: EORP; contributions; buybacks

SPONSOR: Burns, J.

STATUS: As Introduced

REQUESTED BY: House

PREPARED BY: Eric Jorgensen

FISCAL ANALYSIS

Description

This bill has two components. First, it allows members of the Elected Official's Retirement Plan (EORP) to stop making contributions after 20 years of credited service. Second, it allows members to buy a year of credited service for each year they spent in qualified employment with the US government or any state or political subdivision.

Estimated Impact

This bill has an estimated annual General Fund cost of $63,800. This cost represents the ongoing cost of the benefit increase. Because the EORP employee contribution is statutorily set at 7%, the entire cost of the benefit increase is born by the employer.

The Public Safety Personnel Retirement System (PSPRS), which administers EORP, also estimates a state cost of approximately $64,000 with a total system cost of $204,000 (including local impact).

Analysis

EORP is a retirement plan administered by PSPRS. All elected state or county officials and judges are eligible to participate in the plan, as well as elected officials of member cities. It is a defined benefit system and as such, the contribution rate equals the cost of providing the contracted benefits to retirees. Increased benefits result in an increased contribution rate. In EORP, this contribution rate is split between employee and employer, with the employee paying 7% of their salaries and the employer paying all amounts above 7%. For FY 2006, the combined contribution rate is set at 20%.

Only the first part of the bill, which considers stopping contributions after 20 years, has a fiscal impact. The second portion of the bill requires that any member who wishes to buy credited service pay the actuarially determined cost associated with that additional credited service.

Currently, when a member of EORP reaches 20 years of service, they are eligible for retirement. The member can continue working, but must continue to contribute to pay into the retirement system. When contribution rates are set, the actuary makes some assumption about how many members will continue to work and contribute after they are eligible for retirement. By changing the contribution requirement for eligible members, the actuary will need to change this underlying assumption. This change will result in an increase in the cost of providing the benefits, and therefore an increase in the contribution rate.

The total rate increase is 0.4% or 40 basis points, all of which represent normal cost, or the long-term cost associated with a benefit increase. JLBC Staff estimates that a 40 basis point increase will cost the General Fund approximately $63,800 annually. Because the cost is expressed as a percent of salaries, the total cost will rise as the salary base increases.

The Legislature could either account for this cost in FY 2006, when the liability is initially incurred, or begin paying the additional costs in FY 2008 when the new rate would take effect.

Local Government Impact

The bill has an estimated annual local government cost of $140,000. This cost represents local employer contributions and will rise with any salary base increase.

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